

The seal of the Office of the Special Inspector General for Iraq Reconstruction is a large, circular emblem in the background. It features a central eagle with wings spread, holding an olive branch and arrows. The eagle's chest is covered by a shield with vertical stripes. Above the eagle is a sunburst. The seal is surrounded by text in English and Arabic. The English text reads "INSPECTOR GENERAL" at the top and "RECONSTRUCTION" at the bottom. The Arabic text reads "مفتش العام" at the top and "إعادة إعمار العراق" at the bottom.

STATUS OF U.S. GOVERNMENT
ANTICORRUPTION EFFORTS
IN IRAQ

SIGIR-07-007
JULY 24, 2007



Status of U.S. Government Anticorruption Efforts in Iraq

SIGIR-07-007

July 24, 2007

MEMORANDUM FOR U.S. AMBASSADOR TO IRAQ

SUBJECT: Status of U.S. Government Anticorruption Efforts in Iraq

This report discusses the results of the Special Inspector General for Iraq Reconstruction (SIGIR) assessment of U.S. government anticorruption efforts in Iraq and follows up on our earlier review to determine the U.S. Embassy's progress in implementing our prior recommendations. For the details on our objectives, scope, and methodology, see Appendix A.

SIGIR recognizes that developing the capacity of the Government of Iraq (GOI) to address corruption is a top Embassy priority for Iraq. To support this effort, Embassy staff and other U.S. government organizations and activities have established many programs in a number of areas, including economic restructuring, strengthening the Iraqi accountability organizations, rule of law, open and accountable government, free media, and civil society.

According to the Embassy's *August 2006 Consolidated Anti-Corruption Strategy*, corruption has a number of significant implications for Iraq:

- Corruption contributes to capital flight and makes Iraq less attractive as a regional competitor for foreign direct investment.
- Economic growth is reduced by the misallocation of resources to nonproductive activity.
- Government institutions are undermined by the widespread association of political elites with corrupt activities.
- The market economy is adversely affected by the widespread availability of black-market energy products and food rations delivered through corrupt and illegal delivery systems.
- Corruption funds illegal activities.

Summary

Addressing the issue of corruption remains a top Embassy priority for Iraq. Our analysis generally shows two levels of effort—one aimed at economic, financial, and public integrity reforms and one aimed at technical and law enforcement reforms.

Nevertheless, since our July 2006 audit report, several challenges impeded the progress in implementing a coherent anticorruption program:

- The absence of a program manager with the authority and support to provide the necessary leadership and coordination of the overall anticorruption effort is a major challenge to success.
- Although several organizations are conducting many individual programs in Iraq, there is no comprehensive, integrated plan with metrics that ties these programs to an overall U.S. Mission-Iraq strategy or that provides a baseline to measure progress. All of these programs are attempting to address the complex development and institutional issues surrounding corruption, but we believe that greater synergy among these programs could be achieved by having a plan that links programs to specific objectives of the overall strategy. Although the Embassy planned to create an inventory of programs and activities and then assess each against goals and objectives, neither has been accomplished as of June 1, 2007.
- The absence of an overall strategy makes it difficult to assess the adequacy of funding to meet the desired end state.

On balance, there has been some progress by individual initiatives. For example, in January 2007, the Embassy established the Office of Accountability and Transparency (OAT), which works to strengthen the Iraqi anticorruption institutions—the Board of Supreme Audit (BSA), the Office of the Inspector General (IG) at each ministry, and the Commission on Public Integrity (CPI). This new office has already accomplished a number of noteworthy achievements, including:

- providing a full-time advisor for the Iraqi IGs
- providing a full-time advisor for the Board of Supreme Audit
- assisting in the development of a charter for the Joint Anticorruption Council. (On May 16, 2007, the Joint Anticorruption Council charter was signed, and Iraqi charter members have already held meetings.)

Another initiative to address corruption is the development of a financial management tool, the Iraqi Financial Management Information System (FMIS). This system is intended to help the GOI provide financial transparency and accountability in its fiscal operations. Besides reducing corruption, this comprehensive, fiscal automated

recordkeeping process should provide for open and reliable accounting and financial reporting and help restore the Iraqi citizens' confidence in their government. However, because of security and safety issues, the contractor has suspended work on this project.

Follow-up on Prior Report Recommendations

In July 2006, we issued a report on the U.S. Embassy-Iraq's anticorruption program,¹ which identified problems, including a lack of coordination and leadership in anticorruption activities. We recommended that the Department of State (DoS) appoint a senior leader to direct the program to provide continuity in program administration and made 11 other recommendations for program improvement. As of June 30, 2007, limited progress has been made implementing these recommendations. For the status of actions taken, ongoing, and planned for each of the prior SIGIR recommendations, see Appendix B.

Background

During 2005, the SIGIR and U.S. Embassy staff discussed approaches to addressing the corruption in Iraq. On November 12, 2005, at SIGIR's urging, the U.S. Ambassador to Iraq held an anticorruption summit. Participants at this summit included U.S. and Iraqi officials with direct responsibilities in anticorruption efforts in Iraq.

The summit rejuvenated the Embassy's previously inactive Anticorruption Working Group, chaired by the Embassy's economic affairs counselor. The Working Group's aim was to develop an anticorruption strategy and to synchronize all U.S.-led anticorruption activities with this strategy. These U.S. organizations participate in the Working Group:²

- Economic Affairs Section, U.S. Embassy-Iraq
- Political Affairs Section, U.S. Embassy-Iraq
- Political-Military Affairs Section, U.S. Embassy-Iraq
- Public Affairs Section, U.S. Embassy-Iraq
- Foreign Commercial Service, U.S. Embassy-Iraq
- Rule of Law Organization, Office of Accountability and Transparency, U.S. Embassy-Iraq
- Iraq Transition Assistance Office (formerly the Iraq Reconstruction Management Office)
- Department of Justice Attaché Office, U.S. Embassy-Iraq

¹ *Joint Survey of the U.S. Embassy-Iraq's Anticorruption Program* (SIGIR-06-021, July 28, 2006).

² SIGIR attends the working group meetings as an observer.

- Department of Treasury Attaché Office, U.S. Embassy-Iraq
- U.S. Agency for International Development Mission-Iraq
- DoS Bureau of International Narcotics and Law Enforcement Affairs
- Multi-National Force-Iraq, Office of the Inspector General
- Multi-National Force-Iraq, Office of Strategic Effects
- Multi-National Security Transition Command-Iraq

Findings

Corruption is pervasive in the Iraqi government and appears to be getting worse, based on Transparency International's annual country survey rankings.³ Corruption contributes to capital flight, making Iraq less attractive as a regional competitor; undermines government institutions; and creates budget shortfalls.

The Embassy is well aware of these problems and is carrying out a wide range of anticorruption activities to build the confidence of Iraqi citizens in their government and to address the economic problems that result from corruption. The program, however, lacks focus. Unlike many countries where DoS works on corruption, in Iraq it has numerous partners—Department of Justice, U.S. Agency for International Development, Department of Treasury, Multi-National Force-Iraq, and Multi-National Security Transition Command-Iraq. Coordinating the activities of myriad partners is complex and requires a clear strategic plan to guide the efforts of each partner; however, no document clearly identifies all planned and ongoing activities, the roles and responsibilities of all participating organizations, and the resources needed for implementation.

The Embassy also has had problems identifying program management leadership for this effort and has not provided this position with the necessary authority to manage and coordinate an effective program. After our July 2006 audit report, the Embassy quickly appointed a Senior Foreign Service Officer to guide the program, but unfortunately the individual departed soon after. Finding a qualified person to serve in Iraq was difficult; the replacement arrived in early June 2007. However, the program has languished in the interim, and the Embassy has not completed the promised overall assessment of U.S. government anticorruption efforts.

³ Corruption Perception Index reports for 2006 and 2005. Transparency International measures perceptions of corruption by country and produces an annual corruption perception survey report.

Recommendations

Based on our assessment of U.S. government anticorruption efforts, we recommend that the U.S. Ambassador to Iraq take these actions:

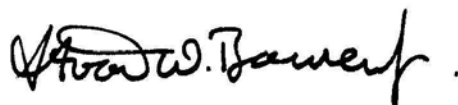
1. Re-emphasize and re-address the recommendations made in SIGIR's July 2006 audit report. As part of re-addressing the prior recommendations:
 - a. Include in the corrective actions plans an estimated completion date for implementing each recommendation.
 - b. Complete the inventory of anticorruption programs, activities, and initiatives.
 - c. Complete the assessments of the major program initiatives that are supporting the Embassy's Anticorruption Strategy.

Management Comments and Audit Response

We requested and received consolidated comments from the U.S. Embassy-Iraq on a draft of this report. The Embassy stated that it supported and was committed to pursuing the recommendations of this report, and provided additional information on actions underway on our previous recommendations. We also received and considered technical comments, where appropriate, in the preparation of the final report. We consider the comments and actions taken to be responsive to our report.

During our regular semi-annual follow up cycle we will validate the actions the Embassy has reported it has taken on previous recommendations in its response to our draft of this report. For a copy of the U.S. Embassy's consolidated response, see Appendix E.

Thank you for the courtesies extended to the staff. For additional information on this report, please contact Mr. Glenn Furbish (703-428-1058 / glenn.furbish@sigir.mil); or Mr. Walt Keays (703-343-7926 / walt.keays@iraq.centcom.mil). For report distribution, see Appendix C. For a list of the audit team members, see Appendix D.



Stuart W. Bowen, Jr.
Special Inspector General for Iraq Reconstruction

Appendices

cc: See Distribution

Appendix A—Objective, Scope, and Methodology

SIGIR initiated this review on January 23, 2007 (Project 7009). The overall objective was to assess U.S. government anticorruption efforts in Iraq. To meet this objective, we addressed these specific questions:

1. Has the U.S. government developed a strategic anticorruption program with identified goals?
2. Do the anticorruption activities conducted by all U.S. government agencies in Iraq support the U.S. anticorruption strategy?
3. Have organizational roles and responsibilities been clearly identified and resources provided to meet strategic program goals?
4. Have U.S. government agencies established programs to strengthen Iraq's anticorruption institutions?
5. Have the appropriate U.S. government agencies developed action plans or implemented the recommendations made in previous reports?

To determine if the U.S. government developed a strategic anticorruption program with identified goals, we attended the weekly Anticorruption Working Group (ACWG) meetings, reviewed previous meeting minutes, and interviewed the ACWG chairman. We also reviewed the Embassy *Consolidated Anti-Corruption Strategy* (August 30, 2006).

To determine if the anticorruption activities conducted by all U.S. government agencies in Iraq support the U.S. anticorruption strategy, we reviewed the Embassy *Consolidated Anti-Corruption Strategy* (August 30, 2006) and discussed it with the responsible U.S. Embassy component, the Economic Affairs Section. In addition, we reviewed the 2006 and 2007 benchmarks from the strategy and discussed them with the Economic Affairs Section. We also interviewed Multi-National Force-Iraq and Multi-National Corps-Iraq officials and discussed anticorruption efforts in the petroleum sector.

To determine if the organizational roles and responsibilities have been clearly identified and resources provided to meet strategic program goals, we met with representatives from the Economic Affairs Section, Department of Justice Attaché Office, DoS Bureau of International Narcotics and Law Enforcement Affairs, OAT, and U.S. Agency for International Development. We reviewed the Embassy *Consolidated Anti-Corruption Strategy* and funding documents from the various entities.

To determine if the U.S. government agencies established programs to strengthen the Iraqi Inspectors General, we met with the representatives from the OAT, Multi-National Security Transition Command-Iraq, and the ACWG to discuss the progress, review documentation, and review the funding provided for strengthening the Iraqi Inspectors General.

To determine if U.S. government officials had taken action on recommendations made in *Joint Survey of the U.S. Embassy-Iraq's Anticorruption Program* (SIGIR-06-021, July 28, 2006), we interviewed the Embassy's Economic Affairs Counselor to obtain information and documentation on actions taken to address the prior recommendations. We also met with the OAT Director to discuss the progress that office has made to address the prior recommendations. We obtained the Director's 30-day report (February 25, 2007) to document actions and plans for addressing the prior recommendations.

In accordance with generally accepted government auditing standards, we conducted this review from January 2007 through June 2007, primarily in Baghdad, Iraq—visiting offices in the International Zone and Base Camp Victory—and also in Washington, D.C.

Use of Computer-processed Data. We did not use computer-processed data to perform this survey.

Prior Coverage. We reviewed these reports:

- *Report of Inspection: Survey of Anticorruption Programs, Embassy Baghdad, Iraq* (DoS OIG, ISP-IGO-06-50, August 2006)
- *Joint Survey of the U.S. Embassy-Iraq's Anticorruption Program* (SIGIR 06-021, July 28, 2006)
- *Report of Inspection: Rule of Law Programs, Embassy, Baghdad, Iraq* (DoS OIG, ISP-IQO-06-01, October 2005)
- *Report on the 6th Meeting of the International Group for Anti-Corruption Coordination, Brussels, 30 September–1 October 2004*, (UN Office of Drugs and Crime)
- *Foreign Assistance: U.S. Anti-Corruption Programs in Sub-Saharan Africa Will Require Time and Commitment* (GAO-04-506, April 2004)
- *Audit of the Status of USAID's Anti-Corruption Efforts in Assisted Countries* (USAID 9-000-98-0002-P, September 1, 1998)

Appendix B—Summary of Prior SIGIR Recommendations and Actions Taken

This appendix presents the 12 recommendations made in our prior report, *Joint Survey of the U.S. Embassy-Iraq's Anticorruption Program* (SIGIR-06-021, July 28, 2006), as well as the reported actions taken, planned, or under way in response to each recommendation.

Acronyms:

ACWG	Anticorruption Working Group
BSA	Board of Supreme Audit
CCCI	Central Criminal Court of Iraq
CPI	Commission on Public Integrity
FS-01	Foreign Service Officer
GOI	Government of Iraq
IGs	Inspectors General
IRMO	Iraq Reconstruction Management Office
ITAO	Iraq Transition Assistance Office
JACC	Joint Anticorruption Council
JESG	Joint Executive Steering Group
MNC-I	Multi-National Corps-Iraq
MNF-I	Multi-National Force-Iraq
MNSTC-I	Multi-National Security Transition Command-Iraq
OAT	Office of Accountability and Transparency
SIGIR	Special Inspector General for Iraq Reconstruction
USAID	U.S. Agency for International Development

Status

At the time of our review, 10 of 12 prior SIGIR recommendations remain open. We determined that 2 recommendations have been implemented as intended, and are therefore *Closed*; 2 recommendations are considered as *Open, Actions Under Way*; and 8 recommendations are *Open, Actions Planned*.

Recommendation (1). We recommended that the U.S. Ambassador to Iraq provide the necessary resources to have sufficient direction and oversight of the U.S. Embassy's anticorruption program, including a senior leader from DoS and a senior officer from MNF-I. Both positions should be filled with staff that have such a background to bring value to the position.

Action taken. The Foreign Service (FS-01) officer arrived on September 25, 2006. MNF-I participates regularly at the Embassy's ACWG, and informal contacts between the two organizations are frequent. Moreover, in coordination with the U.S. Embassy, IRMO has established OAT as a deputy directorate with senior consultant positions for the CPI, BSA, and the ministerial IGs.

This new organization will support U.S. Embassy's efforts to strengthen GOI anticorruption programs and institutions in coordination with the Embassy's Economic Affairs Section. Key OAT staff members were in place as of January 2007, and recruitment continues for additional needed staff.

In December 2006, the FS-01 unexpectedly departed after only eight weeks of work. The replacement officer arrived in June 2007.

STATUS (1): This recommendation is *Closed*.

Recommendation (2). Continue efforts to recruit an Iraqi local national staff member to provide support to the full-time anticorruption program manager. This person should have the necessary skills and level to be instrumental in forging joint U.S.-Iraqi anticorruption initiatives.

Action taken. U.S. Embassy and IRMO (now ITAO) continue the process of identifying and seeking to recruit local Iraqi national staff member candidates to provide support to the full-time anticorruption program manager.

Locating competent staff in an environment where they are subject to intimidation and assassination is difficult. However, with the assistance of Iraqi-American citizens currently working under the U.S. Mission, more potential candidates are being identified.

As of May 21, 2007, U.S. Embassy-Iraq is still seeking a locally employed staff member to fill this position. Baghdad is an extremely difficult place in which to recruit qualified staff. One person who was interviewed and wanted to accept the position could not be hired because a security clearance was denied the day before. The Embassy's Human Resources Department was processing another candidate, depending on the security clearance and acceptance of the offer.

STATUS (2): This recommendation has not been satisfied and currently remains *Open, Actions Under Way*.

Recommendation (3). Establish a joint executive steering group (JESG), chaired by the anticorruption program manager, with oversight of all U.S. government anticorruption programs to ensure that all initiatives are working toward a common goal in the most efficient and effective manner.

Action taken. U.S. Embassy is currently re-establishing and reorganizing its efforts to better oversee all U.S. government anticorruption programs to ensure that all initiatives are working toward a common goal in the most efficient and effective manner.

For example, IRMO has established OAT to identify, facilitate, and coordinate anticorruption capacity-development initiatives with the primary Iraqi anticorruption agencies—the CPI, BSA, and ministerial IGs.

As a result of the current U.S. Embassy strategy, ACWG successes, and ongoing support from IRMO (now ITAO) and other U.S. government agencies, the Embassy’s Economic Affairs Section will establish a JESG, chaired by the anticorruption program manager. This group will have oversight of all U.S. government anticorruption programs to ensure that all initiatives are working toward a common goal in the most efficient and effective manner.

U.S. Embassy focused on getting the JACC established to work more closely with its GOI interlocutors. The status of the roles and responsibilities of all the Embassy’s anticorruption efforts were under review, pending the outcome of the reorganization and realignment of the IRMO. OAT has submitted a plan that addresses forming a joint executive steering group.

STATUS (3): This recommendation remains *Open, Actions Planned.*

Recommendation (4). Direct the JESG to provide to the Deputy Chief of Mission periodic reports (at least quarterly) on progress, barriers, and funding needs to support the anticorruption Program.

Action taken. There are plans that state that on completion of the formal organization and ratification of the JESG Charter, rules governing the organization will be established. These are some of the organization’s administrative and reporting duties:

- Under the direction of the JESG Chairperson, periodic reports on anticorruption efforts, progress, barriers, and funding needs to support the U.S. Embassy anticorruption program will be provided to the Deputy Chief of Mission.
- Such reports shall be completed on a quarterly basis at a minimum and shall follow the calendar quarter reporting period (March, June, September, and December). U.S. Embassy recognizes the value that such timely and scheduled reporting provides to the senior leadership.

STATUS (4): This recommendation remains *Open, Actions Planned.*

Recommendation (5). Establish a policy that will require all participating organizations to vet new anticorruption initiatives through the new JESG.

Action taken. This recommendation is closely related to recommendation 4 and will be value-added to the policy guidelines for the JESG. The status of the roles and responsibilities of all the Embassy's anticorruption efforts was under review, pending the outcome of the reorganization and realignment of IRMO.

STATUS (5): This recommendation remains *Open, Actions Planned.*

Recommendation (6). Direct the JESG to conduct a complete review of each U.S.-funded anticorruption program and assess how that program helps achieve the U.S. government's strategic goals for anticorruption.

Action taken. There are plans that on completion of the formal organization and ratification of the JESG Charter, rules governing the organization shall be established. As part of the organization's administrative reporting and directive duties, the following directive will be established and completed:

- Under the direction of the JESG Chairperson, a directive will be given to a subcommittee of the JESG to conduct a complete written review of each of the current U.S.-funded anticorruption programs to assess how that program helps achieve the U.S. government's strategic goals for anticorruption in Iraq.
- A written assessment report will be completed and presented to the group's chairperson within 90 days after the first organized meeting of the JESG.

STATUS (6): This recommendation remains *Open, Actions Planned.*

Recommendation (7). Direct the members of the ACWG to develop action plans for each activity's program in concert with the overall strategic goals.

Action taken. The U.S. Embassy, under the supervision and guidance of the Economic Affairs Section, has re-established the ACWG, which comprises U.S. Embassy, MNF-I, and other U.S. agency representatives. The ACWG meets once a week, bringing together approximately 20 U.S. government and other agency representatives to discuss, facilitate, and coordinate U.S. government anticorruption initiatives in Iraq.

In January 2007, the ACWG has seen clear indications of the drive to develop new action plans for each of the anticorruption program activities. For example, OAT has been working closely with U.S. Embassy and Iraqi representatives for CPI, the Iraqi IGs, BSA, and the High Judicial Court. The action plan is to facilitate the formal organizing of the JACC. The intended purpose of the JACC is to create Iraqi anticorruption institutions in

which the respective Iraqi representatives can come together to collectively share ideas and promote the development of GOI anticorruption policy and legislation initiatives.

Moreover, as the ACWG moves forward and the JESG is established, more definitive directives to the ACWG members will be presented to develop greater detailed action plans for each activity's program, in concert with the overall anticorruption strategic goals of U.S. Embassy. The directive to develop greater detailed action plans for each activity's program will follow closely after the recommended assessment of each program as noted in the response to recommendation 6.

STATUS (7): This recommendation remains *Open, Actions Planned*.

Recommendation (8). Establish a baseline for each anticorruption program to document a starting point for the program to measure progress.

Action taken. In coordination with and on completion of recommendation 6, to complete an assessment of all anticorruption programs that fall under the U.S. Embassy responsibility, and in coordination and completion of developing an action plan according to recommendation 7, the Chairperson of the JESG will direct a designated subcommittee to establish a baseline for each anticorruption program. Documenting the starting point for the program will help measure progress over time.

STATUS (8): This recommendation remains *Open, Actions Planned*.

Recommendation (9). Establish interim and long-term objective(s) for each anticorruption program consistent with the overall anticorruption program strategy.

Action taken. After the completion of recommendations 6, 7, and 8; the action plan calls the Chairperson of the JESG to direct a designated subcommittee to establish interim and long-term objective(s) for each anticorruption program, consistent with the overall anticorruption program strategy.

STATUS (9): This recommendation remains *Open, Actions Planned*.

Recommendation (10). Engage the Iraqi anticorruption counterparts in the new government and establish the joint U.S.-Iraq ACWG.

Action taken. The U.S. Ambassador and the Prime Minister have committed to establishing the JACC. The intended purpose of the JACC is to create an association of Iraqi anticorruption institutions in which Iraqi representatives can come together to collectively share ideas and promote the development of anticorruption policy and legislation initiatives within the GOI.

To date, U.S. Embassy representatives have been working closely with top leaders from the CPI, BSA, ministerial IGs, and the High Judicial Court. On May 16, 2007, the JACC charter was signed by the Prime Minister and senior Iraqi leaders. U.S. participation will be at the request of the Iraqi government. The JACC has held several meetings since the charter signing.

STATUS (10): This recommendation is *Closed*.

Recommendation (11). Encourage the GOI to establish its own anticorruption working groups with regional and international partners.

Action taken. In a recent meeting with leading Iraq anticorruption representatives regarding the JACC initiative, the BSA President recommended that Iraqi representatives take the lead in anticorruption efforts and programs in Iraq.

Acknowledging and appreciating the past, current, and continued support of U.S. Embassy assistance on anticorruption efforts, the BSA President said that for sustainability in such efforts, the Iraqi institutions must be engaged and take leading roles in the efforts against corruption. The GOI has constituted a group comprising representatives of the Prime Minister's Office, the Parliament's Committee on Integrity, the courts, and the three anticorruption institutions. One of their first self-mandated tasks is to address investigative standards.

A second example of U.S. Embassy encouragement is clearly identified in the most recent round of meetings with all Iraqi stakeholder organizations involved in anticorruption efforts. A result of U.S. Embassy encouragement has been intensified participation and involvement of the Iraq representatives from the CPI, BSA, ministerial IGs, and the High Judicial Court to complete the conceptualization of the JACC and formally establish the organization as a leading supporter of anticorruption programs and activities to more fully establish its own anticorruption working groups with regional and international partners.

U.S. Embassy recognizes the value that such encouragement for the GOI provides in establishing its own anticorruption working groups with regional and international partners. U.S. Embassy has encouraged the GOI to establish such groups during frequent meetings with on anticorruption issues.

STATUS (11): This recommendation remains *Open, Actions Under Way*.

Recommendation (12). Based on the unresolved recommendation 20 from the October 2005 DoS OIG report,⁴ develop and implement an action plan to:

- a. Identify the training requirements of the CPI, BSA, CCCI, and the ministerial IGs, with special emphasis on requirements that apply to all four institutions.
- b. Prioritize the identified training requirements.
- c. Identify training solutions for those requirements that can cut across multiple institutions to avoid duplication and maximize resources.

Action taken. As of December 2006, the GOI has allocated \$10 million to establish such an institute and has determined that the JACC will facilitate and direct the institution's development.

In addition, the DoS Bureau of International Narcotics and Law Enforcement Affairs (INL) has obligated FY 2006 funds to support the training of GOI anticorruption investigators, which will be conducted in a CPI training facility until a new facility is available.

Moreover, OAT is expected to receive approximately \$8 million in the FY 2007 budget, which will be used in part to seek and support Iraqi efforts to design and establish a training facility for anticorruption personnel from all three of the Iraqi anticorruption institutions. A portion of the FY 2007 budget will also be dedicated to support the new institute and develop and implement its training curriculum, both domestically and internationally.

The U.S. Embassy recognizes the value of seeking and supporting Iraqi efforts to design and establish a training facility for BSA, IGs, and CPI. No further information is available from the GOI regarding the \$10 million pledged to the training program.

STATUS (12): This recommendation remains *Open, Actions Planned*.

⁴ *Report of Inspection: Rule of Law Programs, Embassy, Baghdad, Iraq* (DoS OIG, ISP-IQO-06-01, October 2005)

Appendix C—Report Distribution

Department of State

Secretary of State

Senior Advisor to the Secretary and Coordinator for Iraq

Director of U.S. Foreign Assistance/Administrator, U.S. Agency for International Development

Director, Office of Iraq Reconstruction

Assistant Secretary for Resource Management/Chief Financial Officer, Bureau of Resource Management

U.S. Ambassador to Iraq*

Director, Iraq Transition Assistance Office

Coordinator, Office of Provincial Affairs

Mission Director-Iraq, U.S. Agency for International Development

Inspector General, Department of State

Inspector General, U.S. Agency for International Development

Regional Inspector General-Iraq, U.S. Agency for International Development

Department of Defense

Secretary of Defense

Deputy Secretary of Defense

Under Secretary of Defense (Comptroller)/Chief Financial Officer

Deputy Chief Financial Officer

Deputy Comptroller (Program/Budget)

Deputy Assistant Secretary of Defense-Middle East, Office of Policy/International Security Affairs

Inspector General, Department of Defense

Director, Defense Contract Audit Agency

Director, Defense Finance and Accounting Service

Director, Defense Contract Management Agency

Department of the Army

Assistant Secretary of the Army for Acquisition, Logistics, and Technology

Principal Deputy to the Assistant Secretary of the Army for Acquisition, Logistics, and Technology

Deputy Assistant Secretary of the Army (Policy and Procurement)

Commanding General, Joint Contracting Command-Iraq/Afghanistan

Assistant Secretary of the Army for Financial Management and Comptroller

Chief of Engineers and Commander, U.S. Army Corps of Engineers

Commanding General, Gulf Region Division

Chief Financial Officer, U.S. Army Corps of Engineers

Auditor General of the Army

U.S. Central Command

Commanding General, Multi-National Force-Iraq

Commanding General, Multi-National Corps-Iraq

Commanding General, Multi-National Security Transition Command-Iraq

Commander, Joint Area Support Group-Central

*Recipient of the draft audit report

Other Federal Government Organizations

Director, Office of Management and Budget
Comptroller General of the United States
Inspector General, Department of the Treasury
Inspector General, Department of Commerce
Inspector General, Department of Health and Human Services
President, Overseas Private Investment Corporation
President, U.S. Institute for Peace

Congressional Committees and Subcommittees, Chairman and Ranking Minority Member

Senate Committee on Appropriations
 Subcommittee on Defense
 Subcommittee on State, Foreign Operations, and Related Programs
Senate Committee on Armed Services
Senate Committee on Foreign Relations
 Subcommittee on International Development and Foreign Assistance, Economic Affairs, and International Environmental Protection
 Subcommittee on International Operations and Organizations, Democracy and Human Rights
 Subcommittee on Near Eastern and South and Central Asian Affairs
Senate Committee on Homeland Security and Governmental Affairs
 Subcommittee on Federal Financial Management, Government Information, Federal Services, and International Security
 Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia
Permanent Subcommittee on Investigations

U.S. House of Representatives

House Committee on Appropriations
 Subcommittee on Defense
 Subcommittee on State, Foreign Operations, and Related Programs
House Committee on Armed Services
House Committee on Oversight and Government Reform
 Subcommittee on Government Management, Organization, and Procurement
 Subcommittee on National Security and Foreign Affairs
House Committee on Foreign Affairs
 Subcommittee on International Organizations, Human Rights, and Oversight
 Subcommittee on the Middle East and South Asia

Appendix D—Audit Team Members

This report was prepared and the audit work was conducted under the direction of Joseph T. McDermott, Assistant Inspector General for Audit, Office of the Special Inspector General for Iraq Reconstruction.

Staff members who contributed to the report include:

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Appendix E—Consolidated U.S. Embassy Management Comments

UNCLASSIFIED



Embassy of the United States of America
Baghdad, Iraq

July 20, 2007

UNCLASSIFIED

TO: Assistant Inspector General for Audit, SIGIR—Joseph T. McDermott
FROM: The United States Deputy Chief of Mission to Iraq—Patricia Butenis
SUBJECT: Comments from United States Embassy-Baghdad to SIGIR Report:
Status of United States Government Anticorruption Efforts in Iraq

Background

On July 11, 2007, the Special Inspector General for Iraq Reconstruction (SIGIR) issued a draft audit report entitled “Status of U.S. Government Anticorruption Efforts in Iraq.” Among other specific findings, the report identifies two levels of effort—one targeting economic, financial, and public integrity reforms, and the other focusing on technical and law enforcement reforms. It also describes several challenges to the effective implementation of a coherent anticorruption program in the leadership, program organization, and strategic areas, while recognizing certain progress in specific anticorruption initiatives.

Based upon its assessments of the present status of anticorruption efforts by the United States Government in Iraq, SIGIR recommends that the recommendations initially made in its audit report of July 2006 be re-emphasized and re-addressed. By this memorandum, the United States Embassy-Baghdad responds preliminarily to the report of July 11, 2007.

Responses

As a threshold matter, the Embassy supports and commits to pursuing the broad recommendations set forth on Page 5 of the report—namely, to revisit and reexamine the recommendations of the prior audit, including undertaking various corrective action plans for them, assembling the inventory of anticorruption programs, activities, and initiatives, and completing the assessments of major program initiatives that support the Embassy’s Anticorruption Strategy. These specific actions will be completed no later than September 30, 2007.

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In particular response to the report summary, background, and findings, set forth on Pages 2 – 4 of the report, the Embassy notes the following:

- A new program manager arrived in June of 2007 and has begun to familiarize himself with the anticorruption programs and challenges of the United States Government, in anticipation of renewed leadership and coordination of the overall effort;
- A list of anticorruption programs and activities had been previously assembled and distributed, but it will be updated and assessed against identified goals and objectives as a component of the re-examination process recommended by the report; and
- A revised and updated strategic plan for anticorruption missions, programs, policies, and goals will be developed, also as a component of the reanalysis proposed by the report.
- Regarding the Background (page 3), we dispute the assertion that “high-level officials in the USG have become increasingly dissatisfied with the Embassy’s anti-corruption campaign in Iraq,” and request that these assertion be deleted from the report.

In particular response to some of the renewed recommendations from the July 2006 report, set forth on Pages 8 – 14 of the report, the Embassy notes the following:

- Recommendation 3: Continued consideration of the means and mechanisms for establishing more coordination among the various anticorruption programs will continue, with attention to options for the creation of a joint executive steering group;
- Recommendation 8: Significant work has already been undertaken and completed to establish baselines for anticorruption programs as a starting point to measure progress;
- Recommendation 12: Development and implementation of an action plan for training of BSA, CCCI, and CPI personnel is already being accomplished, although no allocations of \$10 million from the Government of Iraq and \$ 8 million from the United States Government have been made to date to support those educational instruction programs.

Other aspects of the summary, background, and findings of the July 2007 report and of the several, specific recommendations from the July 2006 report will be addressed in the revisiting and reexamination of the latter, to be completed by September 30, 2007. The Embassy will provide further written commentary on the general observations and particular proposals in the SIGIR report at or about that time.

Conclusion

The Embassy-Baghdad remains committed to a vigorous and effective program to address anticorruption in the Government of Iraq. The recommendations advanced by SIGIR in its most recent and past reports provide a helpful framework for the further development of specific initiatives and the implementation of practical plans to address this serious problem.

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